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UNCLAS VIENNA 003818

SIPDIS

E.O. 12958: N/A

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SUBJECT: AUSTRIAN ECONOMIC CHAMBER OPENS SECOND OFFICE IN IRAQ

REF: VIENNA 3493

Trade Office Opens in Kurdistan

1. The Austrian Economic Chamber (WKO) opened a second office in Iraq on December 1 to promote trade and investment opportunities for Austrian companies in northern Iraq. The office is in the Kurdish town of Erbil, which the WKO believes is the center of the most promising commercial potential in Iraq (reftel). The WKO will solicit engagement particularly from small- and medium-sized Austrian companies in Kurdistan in the construction, sewage, health, energy and environmental technology sectors. The Erbil office is a subsidiary of the Austrian Foreign Trade Bureau in Baghdad.

Growing Austrian-Iraqi Trade Relations

2. WKO President Christoph Leitl issued a press statement noting that the WKO considers renewed engagement in Iraq as "Austrian business' contribution towards stability in Iraq." Leitl added that Iraq needed "concrete assistance at this critical moment." Before the 1991 Gulf War, Iraq was Austria's most important trading partner in the Middle East. Leitl said he hopes Iraq would become a significant trade partner again "as soon as the domestic situation stabilizes." Before 1991, trade volume reached USD 200 million and the WKO believes trade could rise to USD 600 million in the coming years.

3. Austrian trade relations with Iraq are in the process of recovering from an all-time low in 2003. In 2004, exports doubled from USD 24 million to USD 49 million. Main exports included machinery, and medical and security equipment. Imports from Iraq, primarily crude oil, climbed to USD 44 million in 2004. Austrian exports to Iraq in the first three quarters of 2005 were only USD 37 million, but the WKO expects year-end export growth of over 60%, based on significant growth in the fourth quarter.

Austria Seeks Intensified Economic Cooperation With Iraq

4. During a mid-November meeting with Iraqi Trade Minister Mawloud in Vienna, the GoA's Ministry of Economy and Labor, Martin Bartenstein, promised to intensify EU commercial cooperation with Iraq during Austria's EU Presidency the first half of 2006. Bartenstein added that Austria would welcome Iraq's application to join the WTO. He underlined that Austria would continue to support Iraq by implementing a debt forgiveness package and through humanitarian aid projects.

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